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## **INTRODUCTION**

The Office of Internal Audit performed an audit of the FY04 Office of Child Support (OCS) escheat items, upon request of OCS management. The objective of our audit was to review FY04 child support items initially selected for escheatment, but not actually escheated to Treasury, to determine if they were handled appropriately.

This audit was limited in scope and nature and was conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. OCS Management established the objective for the audit.

## **SCOPE**

The scope of our review included obtaining and reviewing appropriate records and documents, as we considered necessary to satisfy our objectives. We obtained an understanding of the Office of Child Support's FY04 Escheat process. We obtained a population of items that were selected for escheat in the Michigan Child Support Enforcement System (MiCSES) in July 2004. We obtained a population of items that were actually escheated to Treasury in November 2004. We compared the two populations to determine a population of items for potential review. On a sample basis, we selected and reviewed transactions in our population that were in the following HOLD codes: SCBA, SNBA, SSTH, SVOI, SD, SCDE, UNID, and UNDF. Transactions were reviewed for appropriate handling on MiCSES. If additional support was necessary, we requested additional documentation to support the disposition of the transactions. We assessed the results of our review, formulated recommendations, and prepared an audit report for distribution to appropriate recipients. Audit fieldwork was performed primarily between January 4, 2005 and September 27, 2005.

## **EXECUTIVE SUMMARY**

In our opinion, there was reasonable assurance that items that were in SSTH, SVOI, SD, SCDE, UNID, and UNDF hold, which were initially selected for escheatment, but not actually escheated to Treasury, were handled appropriately. It is also our opinion that there was not reasonable assurance that items that were in SCBA and SNBA hold, which were initially selected for escheatment, but not actually escheated to Treasury, were handled appropriately. We noted a finding related to lack of documentation to support address changes for items that were released from SCBA and SNBA hold and a finding for failure to use appropriate dates when initially selecting items for escheatment.

## **OCS RESPONSE**

We discussed the findings and recommendations with OCS Management on 11/28/05. OCS Management responded on 2/13/06 and indicated that they agreed with both findings and recommendations. For finding one, OCS will review and make the appropriate revisions to their policy related to Maintenance and Verification of Case Data to include the requirements identified in the recommendation. OCS will also work with SCAO staff to ensure their policies reflect the same requirements. In addition, OCS internal procedures have been revised to include staff retaining all documentation that it requires from customers before an address change occurs. For finding two, the program that selected items for escheat in FY 2004 was revised and rerun for FY2004. The revised program was also used for FY2005.

## **FINDINGS, COMMENTS AND RECOMMENDATIONS**

### **Documentation to Support Address Changes**

1. OCS policy related to Maintenance and Verification of Case Data (Action Transmittal 2005-016) does not contain requirements to maintain documentation for

all address changes, nor does it require a retention period for maintaining documentation.

OCS staff, or other IV-D workers with access to MiCSES, could potentially divert funds inappropriately by entering an invalid or unapproved address into the system which could allow held and future payments to be disbursed to someone other than the individual due the payments.

Maintaining documentation to substantiate an address change in MiCSES allows management the ability to ensure that an address change was from a valid and approved source. Maintaining documentation to substantiate an address change for a required period of time provides management an audit trail to monitor and review to ensure that funds are not inappropriately diverted.

We reviewed 46 items that were in SCBA Hold that were initially selected for escheatment, but were not actually escheated. Of these 46 items, 40 were not escheated due to address change activity occurring on the case between the escheat selection date and actual escheat date. We requested documentation to support the address change activity for 35 of the 40 items from the appropriate county or central agency performing the address change as noted on MiCSES. If the address was only "verified" or "end dated", an address change did not actually occur and, therefore, we did not request documentation. Fifteen of the 35 (43%) items did not have source documentation available to support the address change that occurred on the system.

We reviewed 50 items that were in SNBA Hold that were initially selected for escheatment, but were not actually escheated. Of the 50 sample items, 14 were not

escheated due to address change activity occurring on the case between the escheat selection date and the actual escheat date. We requested documentation to support the address change activity for the 14 items from the appropriate county or central agency performing the address change as noted on MiCSES. Eight of the 14 (57%) items did not have source documentation available to support the address change that occurred on the system.

WE RECOMMEND that OCS Management revise their policy related to Maintenance and Verification of Case Data (AT 2005-016) to include requirements to maintain documentation for all address changes and include a retention period for maintaining documentation related to address changes.

WE ALSO RECOMMEND that OCS Policy staff work with State Court Administrative Office (SCAO) staff to ensure that their policies reflect these changes.

#### Dates Used When Selecting Items for Escheatment

2. Dates used for initially selecting items for escheatment did not meet Michigan Department of Treasury guidelines for escheatment.

Department of Treasury Recommended Timeline for Unclaimed Property Review recommends June 30 as the date to “generate reports with parameters that reflect all accounts that are inactive and could be reportable as unclaimed property.” The dormancy period is one year (365 days) for any type of unclaimed property held by a court, state or other government, governmental subdivision or agency, public corporation, or public authority.

MiCSES parameters were set to select items for escheatment that met the dormancy period from the date the actual batch program ran, which was July 18, 2004. Parameters should have been set to select items for escheatment that met the dormancy period prior to July 1, 2004 to meet Treasury recommended guidelines. This resulted in many items, dated between July 1, 2004 and July 18, 2004 being initially selected for escheatment when they should not have been. Prior to the actual escheatment program being run in MiCSES (mid November 2004), the batch program was modified to look for items that were 365 days old prior to July 1, 2004 to meet Treasury recommended guidelines.

The result was that any items from July 1, 2004 – July 18, 2004 that had been previously selected for escheat were “unselected” prior to actual escheatment and were not escheated to Treasury.

WE RECOMMEND that OCS follow Michigan Department of Treasury guidelines related to dates used to select items for escheatment for future annual escheat processes.